

Message Text

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PAGE 01 BRUSSE 05843 231856Z
ACTION EB-08

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 STR-07 STRE-00
SSO-00 USIE-00 INRE-00 AID-05 CEA-01 CIAE-00
COME-00 FRB-03 INR-10 NEA-10 NSAE-00 OPIC-03
SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00 OMB-01 SS-15
NSCE-00 /106 W

-----107220 231900Z /43

O 231850Z MAR 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC IMMEDIATE 5674
INFO ALL EC CAPITALS
USMISSION GENEVA
AMEMBASSY TOKYO

C O N F I D E N T I A L BRUSSELS 05843

USEEC

PARIS ALSO FOR OECD; GENEVA ALSO FOR MTN

PASS ELECTRONICALLY TO STR

E.O. 11652: GDS
TAGS: ETRD, EEC, JA
SUBJECT: PROPOSED INTERNATIONAL AGREEMENT ON STEEL

REF: STATE 73009

1. SUMMARY: US AND EC HAVE AGREED TO SEEK AN APRIL 11
MEETING WITH THE JAPANESE TO CONSIDER AN INTERNATIONAL
AGREEMENT ON STEEL. END SUMMARY.

2. AMBASSADORS WOLFF AND MACDONALD ACCOMPANIED BY
CHARGE MORRIS MET WITH DAVIGNON MARCH 23 TO CONSIDER
STEPS TOWARDS A PROPOSED INTERNATIONAL STEEL AGREEMENT.
US SIDE EXPLAINED THAT INITIATIVE WAS PROMPTED BY THE
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BELIEF THAT IT WOULD BE DIFFICULT FOR THE US TO MAINTAIN
STEEL AS A PART OF THE MTN WITHOUT DOING SOMETHING ABOUT
THE MORE BASIC PROBLEMS OF THE INDUSTRY. THE US PROPOSES
A STANDING COMMITTEE TO CONSIDER STEEL PROBLEMS, WITHOUT
PREJUDICE TO THE ORGANIZATIONAL CONTEXT, BUT AT LEAST FOR
NOW, OUTSIDE OF THE MTN.

3. WOLFF EXPLAINED THAT THE US POINT OF DEPARTURE WOULD PRIMARILY BE TRADE ISSUES. EC SIDE STRESSED THE IMPORTANCE OF INVESTMENT AND STRUCTURAL ADJUSTMENT AS PROBLEMS REQUIRING DISCUSSION.

4. DAVIGNON AGREED WITH US SUGGESTIONS THAT THE JAPANESE BE BROUGHT IN EARLY, THAT THE APPROACH SHOULD BE MULTILATERAL AND THAT THE QUESTION OF VENUE SHOULD BE LEFT OPEN. HE ALSO THOUGHT THE JAPANESE WERE MORE OPEN THAN PREVIOUSLY TO DISCUSSIONS ON STRUCTURAL ADJUSTMENT. DAVIGNON SUGGESTED THAT WE START BY COMPARING CHECKLISTS ON PROBLEMS WHICH WE CANNOT AFFORD NOT TO DO ANYTHING ABOUT AND METHODS OF AVOIDING ANTI-COMPETITIVE EFFECTS OF STEEL CRISIS MECHANISMS. THIS COULD LEAD TO AN EXAMINATION OF WHAT COULD BE DONE BOTH UNILATERALLY AND IN COOPERATION WITH OTHER GOVERNMENTS SUCH AS: MEASURES TAKEN BECAUSE OF THE CRISIS -- INCLUDING PRICE MAINTENANCE AND THE RESPECT FOR TRADITIONAL PATTERNS OF TRADE, ADDITIONAL RULES WHICH MAY BE NEEDED, AND PERMANENT MEASURES WHICH MIGHT BE NECESSARY TO PREVENT A RECURRENCE OF THE CRISIS.

5. EC SIDE SAID THAT THIS ARRANGEMENT MUST INCLUDE THE US, JAPAN AND ALL OF WESTERN EUROPE (BECAUSE OF EFTA'S ARRANGEMENTS) AND THAT THESE SHOULD DECIDE HOW TO INCLUDE OTHER INTERESTED COUNTRIES. ALSO, WE SHOULD BE CAREFUL TO AVOID GIVING THE IMPRESSION THAT THIS IS EITHER
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ANOTHER MFA OR ANY EXCLUSIVELY DEVELOPED COUNTRY GATHERING. THEY AGREED THIS IDEA SHOULD BE KEPT OUT OF THE MTN FOR THE MOMENT BUT NOTED A DE FACTO LINK IN BOTH TIMING AND SUBSTANCE.

6. DAVIGNON INDICATED HE WOULD INFORM THE JAPANESE TOMORROW OF THE IDEAS RAISED BY THE US AND THOUGHT IT WAS A GOOD IDEA TO INCLUDE THEM IN BEFORE THEY COULD FEEL THAT A COMMON US/EC POSITION HAD DEVELOPED. DAVIGNON SUSPECTED THAT ALTHOUGH AMAYA AND MITI MAY BE IN FAVOR, OTHER PARTS OF THE GOJ WILL HAVE RESERVATIONS, FEARING APPLICATION TO OTHER PRODUCTS.

7. ASSUMING JAPANESE CONCURRENCE, THE US AND EC AGREED TO A TRILATERAL MEETING IN BRUSSELS TUESDAY AFTERNOON APRIL 11, TO DISCUSS TOPICS FOR THE PROPOSED AGREEMENT. DAVIGNON SAID HE WOULD SEND A NON-PAPER ON THE SUBJECT TO GENEVA WITH DERISBOURG OR DENMAN ON APRIL 9 IF THE COMMISSION HAD ANY IDEAS BY THAT TIME. HE ALSO SAID HE WOULD BE AVAILABLE TO DISCUSS THIS WITH AMBASSADOR STRAUSS IN WASHINGTON APRIL 25 DURING AN UNOFFICIAL VISIT TO THE US.

8. BOTH SIDES AGREED THAT IT WAS IMPORTANT THAT THIS NOT BE APPROACHED IN SUCH A WAY THAT IN CASE OF FAILURE, IT COULD BE USED AS AN EXCUSE FOR FURTHER PROTECTIONIST MEASURES, OR RESISTANCE B EUROPEAN STEEL FIRMS TO RESTRUCTURING.

9. THIS MESSAGE AND REFTTEL ARE BEING SENT AT AMBASSADOR WOLFF'S REQUEST TO EMBASSYS IN EC MEMBER STATES FOR THEIR INFORMATION. SUBSTANCE SHOULD NOT BE DISCUSSED WITH HOST GOVERNMENT OFFICIALS. MORRIS

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